

MAYVILLE AREA AMBULANCE SERVICE
Mayville, Michigan

Financial Statements
December 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Mayville Area Ambulance	County Tuscola
Fiscal Year End 12/31/2005	Opinion Date 03/10/06	Date Audit Report Submitted to State 07/31/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

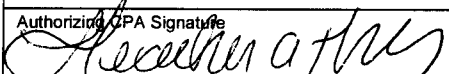
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. **NOT REQUIRED**
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No issues noted	
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Gardner, Provenzano, Schauman, & Thomas P.C.		Telephone Number 989-790-3900	
Street Address 4855 State Street Suite Six		City Saginaw	State MI
Authorized CPA Signature 		Printed Name Heather A. Thomas	Zip 48603
		License Number 1101024719	

MAYVILLE AREA AMBULANCE SERVICE
BOARD OF DIRECTORS

Ronald Gromak President

Glenn Fox Vice President

William Hamilton Secretary

Kathleen Tomlinson Director

OFFICERS

James Welke Executive Director

Joel Welke Chief Financial Officer/
Resident Agent

Contents

	<u>Page Number</u>
Independent Auditor's Report	
Management's Discussion and Analysis	1
Financial Statements	
Statements of Net Assets	6
Statements of Revenues, Expenses, and Changes in Net Assets	7
Statements of Cash Flows	8
Notes to Financial Statements	9



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

March 10, 2006

To the Board of Directors
Mayville Area Ambulance Service
Mayville, Michigan

We have audited the accompanying financial statements of the business-type activities of the Mayville Area Ambulance Service as of and for the years ended December 31, 2005, and 2004, which comprise the organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mayville Area Ambulance Service's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and with the standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Mayville Area Ambulance Service as of December 31, 2005, and 2004, and the changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America and with applicable rules and regulations of the State Treasurer.

To the Board of Directors
Mayville Area Ambulance Service
March 10, 2006
Page Two

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Gardner, Provenzano, Schauman & Thomas, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION & ANALYSIS

MAYVILLE AREA AMBULANCE SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Introduction

This section of the annual financial report presents management's discussion and analysis of Mayville Area Ambulance Service's (MAAS) financial results for the fiscal year ended December 31, 2005. Please read this along with the financial statements that follow for a comprehensive understanding of the financial position of MAAS.

For accounting purposes, MAAS uses only one fund. The fund is a business-type enterprise fund that applies the full accrual basis of accounting. Hence, unlike most governmental units, Mayville Area Ambulance Service reports its financial information only in the full accrual format. The audited financial activities of Mayville Area Ambulance Service are presented herein. These statements include:

Statements of Fund Net Assets
Statements of Revenues, Expenses, and Changes in Net Assets
Statements of Cash Flows

Along with the financial statements are the footnote disclosures.

Condensed Financial Statements and Analysis and Discussion of Significant Transactions

The following are condensed government wide financial statements for fiscal years 2005 and 2004 for Mayville Area Ambulance Service.

Table One – Net Assets

	2005	2004
Assets		
Current assets	\$ 138,239	\$ 136,297
Capital assets	386,562	412,997
Total Assets	<u>\$ 524,801</u>	<u>\$ 549,294</u>
Liabilities		
Current liabilities	\$ 29,727	\$ 44,946
Noncurrent liabilities	129,332	145,192
Total Liabilities	<u>159,059</u>	<u>190,138</u>
Net Assets		
Invested in capital assets, net of related debt	241,373	252,794
Unrestricted	124,369	106,362
Total Net Assets	<u>\$ 365,742</u>	<u>\$ 359,156</u>

MAYVILLE AREA AMBULANCE SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**Condensed Financial Statements and Analysis and Discussion of
Significant Transactions (cont.)**

Table Two – Changes in Net Assets

	2005	2004
Revenue		
Service calls	\$ 133,392	\$ 126,573
Contract fees	13,290	13,289
Other	1,878	2,671
Total Revenues	148,560	142,533
Expenses		
Advance life support	17,520	32,490
Ambulance	14,466	11,586
Garage and office	28,689	27,379
Attendant	45,006	49,841
Depreciation	27,860	27,718
Interest	8,433	9,262
Total Expenses	141,974	158,276
Change in Net Assets	\$ 6,586	\$ (15,743)

The net assets change for 2005, versus 2004, initially appears significant. However, with the nature of the services MAAS provides, we saw an increase (approximately 10%) in service calls, which in turn lead to an increase in revenue. With regards to expenses, the only major change was with Advanced Life Support. Changes made in 2004 to contracts and billing processes for ALS reduced the expenses in 2005 – a trend that we expect to continue in future years. The two combined are the reasons why net assets increase by \$6,586 for 2005 while in 2004 net assets decreased \$15,743.

MAYVILLE AREA AMBULANCE SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Capital Assets and Long-Term Debt

Following is a summary of capital assets and accumulated depreciation for the fiscal years 2005 and 2004:

	2005	2004
Land	\$ 26,250	\$ 26,250
Ambulance	72,300	72,300
Office equipment	20,320	18,895
Furniture	4,222	4,222
Garage	4,000	4,000
Building	359,736	359,736
	<u>486,828</u>	<u>485,403</u>
Less: Accumulated depreciation	(100,266)	(72,406)
Total	<u>\$ 386,562</u>	<u>\$ 412,997</u>

The capital assets of Mayville Area Ambulance Service consist of a building, a garage, an ambulance, and furniture and equipment. Currently, there are no plans for future capital asset purchases.

The Mayville Area Ambulance Service has outstanding long-term debt of \$145,189 related to the construction of the building. Currently, there are no plans to incur any additional debt.

Currently Known Facts, Decisions, or Conditions Expected to Have a Significant Effect

For 2006, the MAAS Board of Directors approved minor increases to the service call fees. Those changes should provide for additional revenue income. In addition, some insurance companies have adjusted their policies such that they will now cover treat and release ambulance services. Those changes should help MAAS in collection of treat and release fees, in addition to recovering costs for non-transporting services.

In 2005, we recorded additional expenses due to the nationwide increase of fuel prices. We expect those expenses to continue to increase during 2006.

For 2006, the Board of Directors is also considering increasing the reimbursement rates for staff members. Although this would increase payroll and related expenses, it should help to recruit and retain staff.

MAYVILLE AREA AMBULANCE SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Requests for Information

This report is designed to provide our customers and taxpayers with a general overview of the Mayville Area Ambulance Service's finances. If you have questions about this report or need additional information, contact Mayville Area Ambulance Service, 5802 Lynch Drive, Mayville, Michigan 48744.

FINANCIAL STATEMENTS

MAYVILLE AREA AMBULANCE SERVICE
STATEMENTS OF NET ASSETS
DECEMBER 31, 2005, AND 2004

	<u>2005</u>	<u>2004</u>
Current Assets		
Cash	\$ 27,340	\$ 1,514
Certificates of deposit	39,841	44,736
Accounts receivable	69,113	90,047
Prepaid insurance	1,945	-
Total Current Assets	<u>138,239</u>	<u>136,297</u>
Noncurrent Assets		
Capital assets	486,828	485,403
Accumulated depreciation	<u>(100,266)</u>	<u>(72,406)</u>
Total Capital Assets	<u>386,562</u>	<u>412,997</u>
Total Assets	<u><u>\$ 524,801</u></u>	<u><u>\$ 549,294</u></u>
Liabilities		
Current Liabilities		
Accrued wages	\$ 5,592	\$ 5,897
Accounts payable	3,359	18,901
Payroll taxes payable	622	840
Deferred revenue	4,297	4,297
Noncurrent Liabilities		
Long-term debt, due in one year	15,857	15,011
Long-term debt, due in more than one year	<u>129,332</u>	<u>145,192</u>
Total Liabilities	<u>159,059</u>	<u>190,138</u>
Net Assets		
Invested in capital assets, net of related debt	241,373	252,794
Unrestricted	<u>124,369</u>	<u>106,362</u>
Total Net Assets	<u>365,742</u>	<u>359,156</u>
Total Liabilities and Net Assets	<u><u>\$ 524,801</u></u>	<u><u>\$ 549,294</u></u>

The accompanying notes are an integral part of these financial statements.

MAYVILLE AREA AMBULANCE SERVICE
STATEMENTS OF REVENUE, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Revenue		
Service calls, net of service contract adjustments of \$93,991 and \$64,472, respectively	\$ 133,392	\$ 126,573
Contract fees	13,290	13,289
Memorials and donations	1,392	2,290
Miscellaneous	16	20
Total Revenue	<u>148,090</u>	<u>142,172</u>
Expenses		
Advanced life support	17,520	32,490
Ambulance	7,302	5,328
Radio	484	97
Insurance	8,394	7,478
Medical supplies	6,433	5,881
Garage	5,986	7,796
Office expense	5,037	10,409
Training and licensing	2,072	3,623
Attendant expense	1,728	3,631
Wages	38,424	39,573
Payroll taxes	2,782	3,014
Miscellaneous	247	280
Bank Charges	44	236
Professional Services	9,228	1,460
Depreciation	27,860	27,718
Total Expenses	<u>133,541</u>	<u>149,014</u>
Operating income (loss)	14,549	(6,842)
Non-operating revenue (expense)		
Interest revenue	470	361
Interest expense	(8,433)	(9,262)
Total non-operating revenue (expenses)	<u>(7,963)</u>	<u>(8,901)</u>
Change in Net Assets	6,586	(15,743)
Net Assets, Beginning	<u>359,156</u>	<u>374,899</u>
Net Assets, Ending	<u>\$ 365,742</u>	<u>\$ 359,156</u>

The accompanying notes are an integral part of these financial statements.

MAYVILLE AREA AMBULANCE SERVICE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
Cash flows from operating activity:		
Cash received from clients	\$ 154,326	\$ 94,856
Cash received from other governments	13,290	13,479
Cash received from public	1,408	2,130
Cash payments to employees	(38,370)	(39,873)
Cash payments to suppliers for goods and services	(85,321)	(62,424)
Net cash provided (used) by operating activities	<u>45,333</u>	<u>8,168</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,425)	-
Principal payments	(15,013)	(14,186)
Interest payments	(8,433)	(9,262)
Net cash provided (used) by financing activities	<u>(24,871)</u>	<u>(23,448)</u>
Cash flows from investing activities:		
Interest received	469	361
Sale (purchase) of investments	4,895	(291)
Net cash provided (used) by investing activities	<u>5,364</u>	<u>70</u>
Net increase (decrease) in cash and cash equivalents	25,826	(15,210)
Cash and cash equivalents, beginning	1,514	16,724
Cash and cash equivalents, ending	<u>\$ 27,340</u>	<u>\$ 1,514</u>
Reconciliation of operating Income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 14,549	\$ (6,842)
Adjustment:		
Deprecation	27,860	27,718
Decrease (increase) in assets:		
Accounts receivable	20,934	(31,717)
Prepaid insurance	(1,945)	-
Increase (decrease) in liabilities:		
Accrued wages	(305)	(95)
Accounts payable	(15,542)	18,901
Payroll taxes	(218)	203
Net cash provided (used) by operating activities	<u>\$ 45,333</u>	<u>\$ 8,168</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

MAYVILLE AREA AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Description of Operations and Fund Type

The Mayville Area Ambulance Service was organized in 1975 for the purpose of providing efficient ambulance service to the Mayville, Michigan, area with minimal response time. The service operates under the direction of a Board of Directors with one representative appointed by each of the following member governmental units:

- a. Village of Mayville
- b. Fremont Township
- c. Dayton Township
- d. Rich Township

The primary revenue source is service call charges. In addition, the Ambulance Service has entered into reduced rate agreements with each of the four above listed member governmental units.

The Mayville Area Ambulance Service is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since the Board members have decision making authority, have power to designate management, have responsibility to significantly influence operations and have primary accountability over financial matters. The Board applies all relevant Government Accounting Standards (GASB) pronouncements. The Mayville Area Ambulance Service applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

NOTE 2--Summary of Significant Accounting Policies

Basis of Accounting

The accounting policies of the Mayville Area Ambulance Service conform to U.S. generally accepted accounting principles as applicable to proprietary funds. The accrual basis of accounting is followed; thus revenues are recorded when earned and expenses are recognized when the related liability is incurred. MAAS considers operating revenues and expenses as those that results from providing services and delivering services.

MAYVILLE AREA AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS

NOTE 2--Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivables are recognized when the services have been provided. The balance shown is due from services billed, but not collected as of December 31, 2005.

Prepaid Insurance

Prepaid insurance consists of expenditures made for insurance coverage for the 2006 fiscal year.

Capital Assets and Depreciation

Capital Assets are recorded at cost. Provisions for depreciation are computed on the straight-line method at rates designed to amortize the cost of the assets based on their estimated useful lives.

Ambulance	5 years
Equipment and furniture	3-5 years
Building and garage	40 years

A summary of the changes in capital assets is as follows:

Description	Balance 12/31/2004	Additions	Deletions	Balance 12/31/2005
Capital assets not subject to depreciation				
Land	\$ 26,250	\$ -	\$ -	\$ 26,250
Subtotal	26,250	-	-	26,250
Capital assets subject to depreciation				
Ambulance	72,300	-	-	72,300
Equipment	18,895	1,425	-	20,320
Furniture	4,222	-	-	4,222
Garage	4,000	-	-	4,000
Building	359,736	-	-	359,736
Total capital assets	485,403	1,425	-	486,828
Less: Accumulated depreciation	(72,406)	(27,860)	-	(100,266)
Total	\$ 412,997	\$ (27,860)	\$ -	\$ 386,562

MAYVILLE AREA AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS

NOTE 2--Summary of Significant Accounting Policies (continued)

Cash Equivalents

For the purpose of the statement of cash flows, the Mayville Area Ambulance considers all short-term debt securities purchased with maturity of three months or less to be cash equivalents.

Non-current Debt

Non-current debt consists of a mortgage on the Ambulance building.

Contract Service Adjustments and Bad Debts

It is the policy of the Mayville Area Ambulance to recognize service call revenue net of service contract adjustments based upon actual collections.

Accounts Payable

The balance of accounts payable is due to vendors at December 31, 2005.

Deferred Revenue

The balance shown is from amounts paid for service contracts in advance from participating governmental units.

NOTE 3--Cash

The Mayville Area Ambulance is authorized, by the State of Michigan, to deposit its funds in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The Mayville Area Ambulance is also authorized to invest in the following:

The Ambulance service is legally authorized to deposit and invest in the following:

1. In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
2. In certificates of deposit, saving accounts, deposit accounts, or depository receipts of a bank which is a member of the FDIC, a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
3. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the purchase date.
4. In United States government or federal agency obligation repurchase agreements.

MAYVILLE AREA AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS

NOTE 3—Cash (continued)

5. In banker's acceptance of United States banks.
6. In obligations of the state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

A summary of cash and investments follow:

	Category			Bank	Carrying
	1	2	3	Balance	Amount
Checking	\$ 9,112	\$ -	\$ -	\$ 9,112	\$ 9,394
Savings	17,946	-	-	17,946	17,946
Certificates of deposit	39,841	-	-	39,841	39,841
Totals	<u>\$ 66,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,899</u>	<u>\$ 67,181</u>

The Mayville Area Service deposits are categorized below according to level of credit risk:

- Category 1 represents the Organizations insured or collateralized deposits with securities held by the Organizations or by its agent in the commission's name.
- Category 2 represents the Organizations collateralized deposits with securities held by the pledging financial institution's trust department or agent in Organization's name.
- Category 3 represents the Organization's uncollateralized deposits including any bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the Organization's name.

NOTE 4--Income Tax

The Internal Revenue Service has determined that the Mayville Area Ambulance Service is exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code.

MAYVILLE AREA AMBULANCE SERVICE
NOTES TO FINANCIAL STATEMENTS

NOTE 5--Risk Management

The Mayville Area Ambulance Service is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2005, the Mayville Area Ambulance Service carried commercial insurance for the above listed risks of loss. In addition, MAAS participated in the Michigan Association of Ambulance Services Self Insured Workers' Compensation Fund, a public entity risk pool currently operating as a workers' compensation risk management program for 29 ambulance services in the State of Michigan. The Mayville Area Ambulance Service pays a monthly premium to the pool for its coverage. The pool is self-sustaining through member premiums.

NOTE 6--Long-Term Debt

Long-term obligations are as follows:

Mortgage, 5.5% per annum

with 59 monthly payments of \$ 1,956 including
interest, secured by land and building. A final
payment of \$104,243 is due June 30, 2008

\$ 145,189

	Balance 12/31/04	Additions	Retirements	Balance 12/31/05	Current Portion
Mortgage	<u>\$ 160,203</u>	<u>\$ -</u>	<u>\$ 15,014</u>	<u>\$ 145,189</u>	<u>\$ 15,857</u>

The annual requirements for principal and interest are as follows:

Year Ended December 30,	Principal	Interest	Total
2006	\$ 15,857	\$ 7,591	\$ 23,448
2007	16,752	6,696	23,448
2008	112,580	18,443	131,023
	<u>\$ 145,189</u>	<u>\$ 32,730</u>	<u>\$ 177,919</u>

NOTE 7--Sale of Garage

The Board of Directors of MAAS voted at their Board meeting held October 18, 2005 to accept the offer from the Village of Mayville Council for the purchase of the ambulance garage in the amount of \$4,000 payable over three years. The transaction was completed on January 6, 2006.